

# ITALY<sup>1</sup>

## MINIMUM WAGE

Minimum wages are not set by law in Italy, but rather by national sectoral collective-bargaining contracts and, *de facto*, apply to all workers in similar occupations.<sup>2</sup> Minimum rates are renegotiated every three to four years, whenever sectoral agreements are renewed. The vast majority of workers are covered by collective agreements. In the absence of an agreement between labor and management, the courts may step in to determine fair wages on the basis of practice in related activities or related collective bargaining agreements.<sup>3</sup> Collectively agreed minima apply pro-rata to part-time workers. Trainees and apprentices receive lower rates, which are set out in agreements.

Based upon data provided by the textile, apparel, and footwear workers' union FILTEA-CGIL, minimum monthly contractual wages set in the national textile and apparel industry contract signed 27 July 1995 are as follows:<sup>4</sup>

Grades	01 July 95	01 July 96	01 Jan 97	01 July 95	01 July 96	01 Jan 97
	(thousands of Italian lire)			(U.S. dollars)		
8 (highest)	1,269	2,378	2,438	778.53	1,541.15	1,433.27
1 (lowest)	559	1,592	1,615	342.94	1,031.76	949.44

and the minimum monthly contractual wages set in the national footwear industry contract signed 12 July 1995 are as follows:

Grades	01 July 95	01 July 96	01 Jan 97	01 July 95	01 July 96	01 Jan 97
	(thousands of Italian lire)			(U.S. dollars)		
8 (highest)	2,330	2,398	2,458	1,429.45	1,554.12	1,445.03

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<sup>1</sup> Unless noted otherwise, information presented here is from American Embassy—Rome, unclassified telegram No. 1694 (March 15, 1999).

<sup>2</sup> U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1321.

<sup>3</sup> Case law in Italy has established that minimum wage rates determined by a sectoral collective agreement must be applied by employers which are not members of the signatory employers' organization. See "International Minimum Pay: Current Minimum Pay Rates," *European Industrial Relations Review*, No. 266 (March 1996), p. 17.

<sup>4</sup> Relevant sections of the economic newspaper *Il Sole 24 Ore* with wage information have been provided to the U.S. Department of Labor. Figures given in U.S. dollars (US\$) have been converted from Italian lire (Lit) at the exchange rate of Lit1,630 per US\$1 for 1995; 1,543 for 1996; 1,701 for 1997; and 1,736 for 1998.

1 (lowest)	1,566	1,592	1,615	960.74	1,031.76	949.44
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A 1997 law reduced the legal workweek to 40 hours from 48.<sup>5</sup> Most collective bargaining agreements provide for a 36- to 38-hour workweek. The average contractual workweek is 39 hours but is actually less in many industries. Overtime work may not exceed 2 hours per day or an average of 12 hours per week.

## PREVAILING OR AVERAGE WAGE

The National Statistical Office (ISTAT) prepares indices of average annual contractual wages by sector. Recent data for the apparel and footwear industries appear below. The wage data include: basic pay, cost of living increases, thirteenth month pay, and regularly given annual bonuses. Wage increases resulting from company level bargaining (that can total an additional 30 percent of basic pay) are not included. Social security contributions paid directly by the employer to the Social Security Institute (INPS) are also not included. In 1995, employer-paid social security contributions amounted to 44.9 percent of the average contractual wage in the apparel industry and 46.0 percent in the footwear industry.

### Average Annual Contractual Wages for Workers in Apparel and Footwear Industries, 1995-98

Sector and Year	Avg. Annual Salary Before Taxes	Manual Workers	Non-Manual Workers	Avg. Annual Salary Before Taxes	Manual Workers	Non-Manual Workers
	(thousands of Italian lire)			(U.S. dollars)		
<u>Apparel</u>						
1995	24,344	23,729	28,997	14,934.97	14,557.67	17,789.57
1996	21,140	24,454	27,964	16,292.94	15,848.35	18,123.14
1997	26,001	26,252	29,042	15,285.71	15,433.27	17,073.49
1998	26,662	25,905	29,843	15,358.29	14,922.24	17,190.67
<u>Footwear</u>						
1995	24,366	23,905	28,004	14,948.47	14,665.64	17,180.37
1996	25,163	24,661	29,197	16,307.84	15,982.50	18,922.23
1997	26,059	25,516	30,437	15,319.81	15,000.59	17,893.59
1998	26,766	26,174	31,359	15,418.20	15,077.19	18,063.94

Source: ISTAT

The table below presents data from the U.S. Bureau of Labor Statistics on hourly compensation costs in Italy for production workers in the manufacturing sector and in the apparel and footwear industries. They include pay for time worked, paid leave, bonuses, and other benefits paid directly to the employee as well

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<sup>5</sup> U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1321.

as the cost of social insurance programs.<sup>6</sup> No data were available on average hours worked per week by production workers in all manufacturing or in the apparel or footwear industries. Current hourly compensation costs, which are reported by the U.S. Bureau of Labor Statistics in the national currency, were converted to US\$ using the annual average exchange rate published in the International Monetary Fund's *International Financial Statistics* (March 1999). To track changes in real hourly compensation (i.e., compensation adjusted for inflation), a real compensation index was computed by deflating current hourly compensation in the national currency with the annual average national consumer price index as published in the International Monetary Fund's *International Financial Statistics* (March 1999), indexed to 1990 = 100.

#### Hourly Compensation Costs in All Manufacturing, Apparel, and Footwear

Year	All Manufacturing		Apparel		Footwear		Real Compensation Index (Lit; 1990=100)		
	(Lit)	(US\$)	(Lit)	(US\$)	(Lit)	(US\$)	Manuf.	Apparel	Footwear
1990	20,900	17.44	15,695	13.10	16,663	13.91	100	100	100
1991	22,734	18.33	16,783	13.53	17,948	14.47	102	101	101
1992	23,841	19.35	17,700	14.36	18,933	15.36	102	101	102
1993	24,858	15.80	18,332	11.65	19,738	12.54	102	100	102
1994	25,591	15.87	19,040	11.81	20,166	12.51	101	100	100
1995	26,398	16.21	19,432	11.93	20,843	12.80	99	97	98
1996	27,352	17.73	20,169	13.07	21,531	13.95	99	97	97
1997	28,528	16.75	na	na	na	na	101	na	na

Note: na = not available.

Source: U.S. Department of Labor, Bureau of Labor Statistics, *International Comparisons of Hourly Compensation Costs for Production Workers in Manufacturing*, May, 1999.

## NON-WAGE BENEFITS

Minimum contractual wages (i.e., basic take home pay) noted above are only a portion of total wages, which include:

- ! Wage increases resulting from company-level bargaining, which takes place in years in between national labor contracts, i.e., every two years. Company-level bargaining generally has yielded increases of an estimated 30 percent above the minimum contractual wage; however, only one-third of all companies in the textile and footwear sectors engage in company level collective bargaining that results in wage increases;
- ! Separation pay, amounting to one month's pay for each year of service (withheld by the employer until the worker quits);

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<sup>6</sup> U.S. Bureau of Labor Statistics, *International Comparisons of Hourly Compensation Costs for Production Workers In Manufacturing, 1975-1997* (Washington: U.S. Department of Labor, May 1999).

! Social security contributions, paid directly by the employer to the Social Security Institute (INPS) to cover pension, unemployment, sick leave, and other state-mandated benefits.

A U.S. Social Security Administration survey<sup>7</sup> elaborates on five different non-wage benefit programs which employers in Italy participate on behalf of their employees: (1) old age, disability and death benefits, begun in 1919, in which the insured person contributes 8.89 percent of earnings up to 63 million lire and 9.9 percent of earnings of 63-250 million lire, the employer contributes 23.8 percent of payroll, and the government pays the full cost of means-tested allowances and any overall deficit; (2) sickness and maternity benefits, initiated in 1912 and now a dual social insurance and universal medical care program, in which the insured person contributes 1 percent of earnings up to 40 million lire plus a solidarity contribution of 0.8 percent on earnings between 40 million and 150 million lire, employers contribute 9.6 percent for sickness and 1.87 percent of payroll for tuberculosis benefits, and the government pays various subsidies plus a portion of contributions due from employers; (3) work injury benefits, begun in 1898, in which employers pay 0.5-16 percent of payroll according to risk (the average for industrial workers is about 3 percent); (4) unemployment insurance, began in 1919, is a compulsory insurance program for workers in private industry in which employers pay 1.61-1.91 percent of payroll and the government pays administrative costs plus various subsidies; and (5) family allowances, begun in 1937, is an employment-related system in which employers pay 2-5 percent of payroll and the government provides various subsidies to this program.

## **ASSESSING BASIC NEEDS: THE POVERTY LINE**

A “relative poverty” report has been presented every year since 1994 by the Inquiry Commission on Poverty, in cooperation with ISTAT.<sup>8</sup> The poverty line is defined in terms of the national average per capita consumption expenditures. A two-member household whose consumption expenditures are less than or equal to the average per capita expenditure on consumption is considered to be poor. In 1997, 11.2 percent of all households in Italy lived in “relative poverty”—which, in terms of individuals, meant some 6,908,000 persons or 12.2 percent of the Italian population. The poverty line for 1997 was set at Lit1,233,829 per month for a two-member household. This represented a 3.7 percent increase over the corresponding 1996 level of Lit1,190,273. Equivalence scales are available adjust for different-sized households.

A new poverty standard will be initiated by the Commission in its *1998 Report* to be issued later this year. “Absolute poverty,” based on variations in a basket of minimum goods and services, aims at relating poverty to developments in the living standard.

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<sup>7</sup> Social Security Administration, *Social Security Programs Throughout the World - 1997* (Washington: U.S. Government Printing Office, August 1997), pp. 188-191.

<sup>8</sup> The results presented here are based upon the latest available report: Council of Ministers, Inquiry Commission on Poverty, *1997 Report* (Rome: Commission on Poverty and Social Exclusion, no date).

The Commission's *1997 Report* offers a preview of the new poverty measure that will be adopted. The new absolute poverty measure will be based upon a minimum consumption basket comprised of three components (food and drink, housing, and durable goods) plus an amount for residual expenditures that will assure a modest but sufficient standard of living in order to avoid any kind of social exclusion. The food and drink basket is defined in terms of recommended daily allowances and nutritional needs and requirements, adjusted for age and sex of individuals but not for scale economies for larger families. The housing expenditure is based on rents for adequate facilities and includes minimum-level expenditures for utilities. For the durable goods component, three goods were considered as basic needs (color television, refrigerator, and washing machine) and monthly depreciation was taken into account. The residual component, which is to account for clothing and footwear, personal care, cultural and recreational activities, transportation, and other household expenditures, is defined as a percentage of expenditure on food and drink, ranging from 33 percent for two-member households to 43 percent for five-member households.

The Commission applied this new method and obtained estimates for absolute poverty thresholds for 1997. Using the monthly threshold obtained for 1997, the Commission then computed the money value of the baskets for 1995 and 1996 by deflating the corresponding values using the consumer price index. The following tables presents the poverty lines under the new definition (absolute line) and compares them to the old definition (relative line):

#### **Absolute and Relative Poverty Lines by Household Size, 1995-1997**

(current lire per month)

Family Size	Absolute Poverty Line			Relative Poverty Line		
	1995	1996	1997	1995	1996	1997
1 member	625,254	650,264	663,270	684,870	712,974	739,064
2 members	937,286	974,778	994,273	1,143,355	1,190,273	1,233,829
3 members	1,331,305	1,384,557	1,412,249	1,526,379	1,589,014	1,647,162
4 members	1,685,885	1,753,321	1,788,388	1,865,955	1,942,526	2,013,609
5 members	2,124,848	2,209,842	2,254,040	2,178,091	2,267,470	2,350,444
6 members	2,449,018	2,546,979	2,597,918	2,458,213	2,559,087	2,652,732
7 members or more	2,763,528	2,874,069	2,931,550	2,745,195	2,857,845	2,962,423

Source: ISTAT, Household Budget Survey.

#### **Incidence of Absolute and Relative Poverty by Household Size, 1995-1997**

(percentage of households that are poor)

Family Size	<u>Incidence of Absolute Poverty</u>				<u>Incidence of Relative Poverty</u>		
	<u>1995</u>	<u>1996</u>	<u>1997</u>		<u>1995</u>	<u>1996</u>	<u>1997</u>
1 member		7.3	6.6	8.1		9.6	9.0
2 members	5.7	5.0	4.3		10.6	9.8	9.2
3 members	4.5	4.2	4.8		7.1	7.4	9.0
4 members	5.8	6.7	5.6		8.5	9.6	8.4
5 members or more	22.4	20.1	22.1		23.1	21.1	24.1
All households	7.7	7.2	7.5		10.6	10.3	11.2

Source: ISTAT, Household Budget Survey.

### **Incidence of Absolute Poverty by Type of Household, 1997**

(percentage of household that are poor)

<u>Household Type</u>	<u>Incidence of Absolute Poverty</u>
Single member, less than 65 years of age	5.2
Couple, head of household less than 65	1.4
Single member and Couple, head of household 65 or older	9.4
Couple with one child	4.5
Couple with 2 children	5.5
Couple with 3 or more children	23.9
Single parent	6.3
Households with at least one child underage	10.1

Source: ISTAT, Household Budget Survey.

A compendium of poverty and income distribution statistics prepared by the International Labor Organization<sup>9</sup> reports for 1988 that 24.2 percent of the Italian population was below the poverty line of 50 percent of national mean equivalent expenditure.<sup>10</sup> A more recent study, using a slightly different definition, reported for 1986 that 10.6 percent and for 1991 that 6.5 percent of the Italian population was below the

<sup>9</sup> Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), p. 75.

<sup>10</sup> The estimate is referenced as originating from Eurostat, *Poverty Statistics in the Late 1980s: Research Based on Micro-Data* (Luxembourg: Office for Official Publications of the European Communities, 1994), p. 414. The study was conducted for Eurostat by Aldi J.M. Hagenaars, Klass de Vos, and M. Asghar Zaidi and was based on the Survey of Family Consumption (ISTAT). The study uses household expenditure per adult equivalent (OECD equivalence scales) with the poverty line set at 50 percent of the mean of this variable. Equivalence scales were used to compensate for differences due to family size. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 137.

poverty line of 50 percent of median disposable income.<sup>11</sup>

## **MEETING WORKERS' NEEDS WAGE**

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in Italy meet workers' basic needs. The U.S. Embassy did not identify any information on living wage studies in Italy.

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<sup>11</sup> Timothy M. Smeeding, *Financial Poverty in Developed Countries: The Evidence from LIS*, Final Report to the UNDP, Working Paper No. 155, Maxwell School of Citizenship and Public Affairs, Syracuse, NY (April 1997), Appendix Table A-4.